



Understanding your energy bill

Your monthly bill includes fixed costs as well as variable charges. Read on for a breakdown of what you pay for each month.

Why does my bill change?

There are four basic components to an energy bill:

- the basic charge or “customer charge,”
- basic rates,
- power costs or purchased gas costs, and
- riders.

Any time these components change, your utility must file a request with the Utilities and Transportation Commission to change what it is legally allowed to charge.

Basic charges

A basic charge covers a portion of a utility’s fixed costs—expenses that are constant no matter the amount of electricity or natural gas produced and sold. This generally includes only specific costs, including bill preparation, payment processing, and meter installation and reading.

The monthly customer charge appears on your bill whether or not you use electricity or natural gas. The equipment and services are always in place and ready for service. Basic charges do not vary each month. The costs are set during a rate case and do not change without commission approval.



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Basic rates

Utilities charge customers for each kilowatt hour (kWh) of electricity or therm of natural gas used during a billing cycle. One kWh is about enough power to keep an incandescent light bulb on all day. One therm raises one pound of water by 1°F.

Charging for energy use ensures that customers who use more energy pay more for their usage. Built into each kWh are costs related to generation, transmission, and distribution of electricity. For natural gas, these rates, per therm, include the distribution and storage of natural gas.

In most cases, utilities increase the costs to consume kWhs or therms as energy usage increases to encourage customers to conserve energy. Like the basic charge, these rates do not change without commission approval.

Electric power cost adjustments

Power costs include expenses for fuels, power purchased from the wholesale market, or power generated for sale to other utilities. These expenses change based on how many kWhs are used.

For instance, on a very warm day when people rely on air conditioners to cool their homes, a utility may have to rely on expensive, market-based power to meet customer demand. On more comfortable days, the utility can sometimes sell power to other utilities or even some specific types of customers. In both cases, the cost of high-demand power and revenue from selling generation are shared with customers.

Once a year, the expected power costs, included in the base rates, are adjusted to reflect what a utility actually spent to provide power. The surcharge or rebate is then shared between customers and the utility as an incentive for the utility to use power in the most economical way possible.

Purchased gas adjustments

Natural gas companies provide natural gas at cost. That is, whatever price the utility pays for the gas, the customer pays. The rate customers pay is set by a purchased gas adjustment (PGA).

Each October, a utility projects how much it will pay for gas for the next year; then it reconciles the previous year's gas rates with actual costs.

If the utility received too much revenue, its customers get a credit. If the utility received too little revenue, customers will see a surcharge. This rate change generally goes into effect in November each year for the state's natural gas utilities.

Decoupling

Decoupling encourages utilities to promote energy efficiency. Decoupling breaks the link between a utility's revenues and the amount of kWhs or therms it sells. If a utility does not collect enough revenue based on the amount approved in its last rate case, a surcharge added to bills can account for the difference.

However, the decoupling review includes tests to ensure the utility does not excessively profit from this arrangement. If the utility earns more profit than it is authorized to earn during the year, then the utility must return 50% of those earnings to customers.

Is renewable energy part of my bill?

Yes. Utilities in Washington increasingly use renewable energy to meet customer needs. In May 2019, Gov. Jay Inslee signed the Clean Energy Transformation Act into law, requiring electric utilities to be coal-free by 2025, 80% carbon-neutral by 2030, and 100% carbon-free by 2045.

Electric utilities have very different fuel mixes that makeup their power generation, but during the next two decades the utilities must phase out coal, natural gas, and other carbon-emitting energy sources.